



SENATE TAXATION

EXHIBIT NO. 5

DATE 1.29.09

BILL NO. SB 277

January 28, 2009

Senator Jeff Essmann, Chair  
Senate Taxation Committee  
Montana State Senate State Capitol  
Helena, MT 59620

Dear Senator Essmann and Committee members:

We understand that the committee will soon consider a bill for an act to tax the gross receipts of certain retail sales of consumer goods. Costco Wholesale strongly opposes this bill and asks for your support in defeating this proposed legislation.

Costco has been in Montana since 1991 and currently operates five locations within the state, in Billings, Bozeman, Kalispell, Missoula and Helena. We pride ourselves on being a low cost operation which has been successful bringing high quality goods to market at significant savings relative to standard retail pricing. We provide goods and services to a significant number of small businesses in Montana allowing them to obtain lower cost supplies and items essential to their operation. We also provide many individuals and families the opportunity to buy merchandise at a significant savings. The fact that our cardholders (405,000 in Montana) continue to support us year after year suggest they support our business model of great value on top quality merchandise, which equals high sales volume.

In addition to offering savings on quality merchandise, Costco provides good paying jobs for Montana residents (977 to date) and an excellent wage and benefits package. Our average full time employee earns wages in excess of \$43,000 excluding a benefits package valued in excess of \$18,000 per Montana employee. We maintain a 50% full time/part time ratio with our part time employees averaging \$32,000 per year in wages and 92% are provided full benefits.

In its current draft it appears that Costco may be exempted from the bill, based on high wages, benefits and the relatively high percentage of full time employees. Notwithstanding the likely exemption, as a matter of long-standing corporate principles, we remain strongly opposed to this legislation for the following reasons:

- The bill unfairly targets large retailers given that the gross receipts tax is not applicable to small retailers or to other large non-retail businesses.

- The tax is based on gross income which in most cases has no correlation to the retailers' profit.
- It assumes that companies with high sales volume have reached that level at the expense of its employees and or the community, which is definitely not the case with Costco.

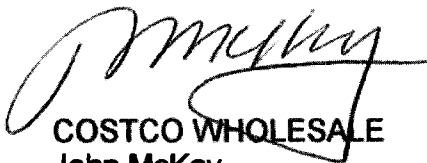
In truth this bill is a disguised sales tax. Because of our very narrow profit margins, and not unlike other affected retailers, we would not be able to absorb the tax without passing it on to our consumers by raising prices. Montana residents will pay higher prices than their neighbors without having had an opportunity to vote the issue.

Again, we realize that certain provisions in the bill could potentially exclude employers like Costco that pay high wages and benefits and provide a significant percentage of full time jobs. However, we also recognize that as the bill moves through the process certain amendments can be offered. We are hopeful that the committee understands that we operate on very narrow margins, and along with our employees and consumers will be significantly impacted were we subject to the tax proposed by this bill.

This bill is clearly anti-competitive as it targets large retailers and, as a matter of principle, Costco Wholesale stands firmly opposed to anti-competitive legislation. We believe that competing interests in the marketplace should be resolved by informed consumer choice in the marketplace, not by legislation.

For these reasons, Costco strongly opposes this bill and we urge you to vote against it.

Sincerely,



COSTCO WHOLESALE  
John McKay  
SVP Northwest Region

JM/mc